

X. LOCAL TAXES

The state's cities, counties, and towns administer Virginia's local taxes. The tax rates differ from locality to locality. A brief outline of local taxes is provided below; however, for more detailed information about the local tax rates, assessments or fees in a specific area, contact the local Commissioner of the Revenue, Director of Finance, or Director of Tax Administration.

There are four major taxes that an individual may be subject to at the local level. These are real estate taxes, tangible personal property taxes, utility taxes, and sales and use taxes. In addition, some localities impose local excise taxes on cigarettes, admissions, room rentals, and meals. The major local taxes paid by manufacturers in Virginia are real estate and machinery and tools taxes. Any county, city, or town may also levy license taxes on businesses, trades, professions, occupations, and callings.

All tangible personal property, except property, which is specifically exempted, is subject to tax. Examples of tangible personal property, which are taxed, are aircraft, mobile homes, campers, trailers, boats, and other watercraft. Beginning in 1998, the tax on the first \$20,000 of the value of a car, pick-up or panel truck (weighing 7,500 pounds or less) and motorcycle owned or leased for personal use will be incrementally reduced. The personal property tax on cars, pick-up or panel trucks (weighing 7,500 pounds or less), and motorcycles was scheduled to be eliminated over five years with 12.5% of the tax eliminated in 1998, 27.5% in 1999, 47.5% eliminated in 2000, 70% eliminated in 2001, and 100% in 2002 and thereafter. However, as the Commonwealth's revenue growth has been insufficient, the level of tax relief is currently frozen at 70%. The percentage of tax relief will increase to 100% when the revenue growth returns.

Virginia statutes provide that real property must be assessed at fair market value. The average effective tax rate on real estate in 1997 ranged from \$2.70 per \$1,000 of fair market value to \$14.20 per \$1,000.

All localities impose a one percent sales and use tax on retail sales. This is in addition to the state's four percent rate. The one percent tax is collected from the consumer at the time of sale and is distributed back to the locality where the sale occurred.

Utility taxes are applied to an individual's monthly bill from public utilities such as the electric or gas company. Tax rates differ from locality to locality. Not all localities levy a utility tax.